



The Monthly Magazine for Food and Agricultural Exporters

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United States Department of Agriculture
Foreign Agricultural Service

February 2003

U.S. Horticulture: Capitalizing on a Panoply of Export Opportunities Worldwide

FAS Toolbox Programs To Assist the Export
Efforts and Achievements
Of the U.S. Horticultural Industry

An Overview and Analysis of the Export World
For U.S. Horticultural Products

Country Markets for Particular Products

THE WORLD'S LARGEST FOOD AND BEVERAGE INDUSTRY TRADE EVENT

ANUGA 2003

COLOGNE, GERMANY

The Show:

ANUGA 2003 will be the key international food and beverage trade show this year, bringing exhibitors and buyers from almost all countries in the world together in one place.

The USA Pavilion:

In 2001, 123 companies participated in the USA Pavilion, exhibiting a wide variety of ingredients, processed foods, and beverages. Exhibitors in the USA Pavilion benefit from the general publicity that this large and attractive pavilion receives. Despite the enormous size of the ANUGA trade show, almost all importers and buyers interested in foreign foods will make it a point to visit the USA Pavilion. At ANUGA 2001, 164,440 buyers from 148 countries visited the show.

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At ANUGA 2003, **U.S. exhibitors have a new, cost-effective option: workstations, grouped in a marketplace setting and sharing common meeting/conference space with other workstation exhibitors.**

The marketplace will be incorporated in the USA Pavilion and include the same design and services as those purchasing a 12-square-meter booth package or 6-square-meter booth package.

Location:

KoelnMesse
Cologne, Germany



Dates:

Oct. 11-15, 2003

Deadline:

June 1, 2003



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Since passage of NAFTA (the North American Free Trade Agreement) in 1994, fruit and vegetable exporters and consumers have benefited from lower tariffs, greater consumer choice and a more transparent business environment. But vigilance is needed to ensure that NAFTA keeps working.

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U.S. Horticultural Industry Takes Advantage of the Export Toolbox

By Ingrid Mohn

FAS offers a variety of tools in its “toolbox” for exporters, and horticultural exporters really know how to use them. In fiscal 2002, commodity groups put \$40.2 million from USDA’s export programs to work in bringing U.S. horticultural products to kitchens and dining tables around the world. Let’s take a look at some of the successes U.S. horticultural groups have had with these programs.

Quality Samples Program

The QSP (Quality Samples Program) helps U.S. agricultural trade organizations provide small samples of their products to potential importers in emerging markets. Focusing on industry and manufacturing rather than end-use consumers, it permits potential buyers to experience first hand the quality of U.S. products. It also allows foreign manufacturers to assess how U.S. food and fiber products can best meet their needs. In fiscal 2002, USDA provided \$1.34 million in QSP funds to trade associations and state agricultural organizations.

Cranberry Marketing Committee Makes QSP Work

With the help of QSP funds, CMC (Cranberry Marketing Committee) paid for the first shipment of cranberry concentrate to Huiyuan, China. The shipment enabled a food processor to experiment with the concentrate to achieve the ideal product formulation. Cranberry juice cocktail, cranberry and strawberry juice



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drink, and cranberry and apple juice drink are now available in one-liter, slim paper packages with limited distribution in Beijing, Shanghai, Guangzhou, Shenzhen and a few other cities.

According to Mike Rucier, the account manager who handles CMC’s export programs, “Our experience has been that use of these federal funds greatly reduces the risk of introducing a product to an unfamiliar market.

“It also enhances the chances of the product succeeding, because we have adequately researched distribution channels, and consumer preferences for taste, packaging, retail placement and reaction to advertising messages. QSP is one key part of a big plan to introduce cranberry juice to emerging markets.”

With a total consumer target of 40-50 million people, the U.S. cranberry industry estimates that China could absorb 10-20 million liters of cranberry juice per year, valued at \$15-\$35 million.

The cranberry industry has followed virtually the same market progression in Mexico, and expects Wal-Mart and Sam’s

Club outlets in that country to carry cranberry juice soon.

Market Access Program

The MAP (Market Access Program) encourages the development, maintenance and expansion of commercial export markets for U.S. agricultural commodities. The MAP helps U.S. producers, exporters, private companies and other trade organizations finance such promotional activities as consumer promotions, market research, technical assistance and trade servicing. In 2001, 35 commodity groups received \$34 million in MAP funds to promote exports of 42 U.S. horticultural commodities.

Fresh stone fruit exports continue to be one of the stars among U.S. horticultural exports, with volume increasing 17 percent in fiscal 2001. Through successful implementation of generic market development activities, funded with Section 108 and MAP money, fresh peach, plum, prune and nectarine exports posted record value gains and exceeded \$23 million.

U.S. Pear Exports to Mexico Continue To Rise Using MAP

Oregon and Washington pear exports to Mexico surpassed 3 million boxes valued at \$35 million in the 2001/02 marketing year (September 2001–August 2002), establishing a new record for this country, the industry's top export market.

Since 1996, pear exports to Mexico have increased over 230 percent. Jeff Corea, international marketing director of the Pear Bureau Northwest, attributes this sharp increase “directly to the MAP-funded promotion program in Mexico. More important, Mexico now readily accepts four different pear varieties.” In 2001/02, the Pear Bureau used MAP money to fund consumer advertising and public relations activities, which spurred U.S. pear exports to Mexico to \$44 million, up more than 5 percent from the previous year and more than 190 percent from 1996.

Emerging Markets Program

The EMP (Emerging Markets Program) assists U.S. organizations in improving market access opportunities for agricultural products in low- to middle-income countries likely to emerge as

promising export markets. The program supports activities of small- to medium-sized U.S. agricultural firms that may need assistance in obtaining or maintaining access to foreign markets.

EMP Gave Almonds a Great Opportunity

ABC (Almond Board of California) recently obtained EMP funds for market research and other activities in Russia—a country with great potential but many unknowns as to how to reach the trade and consumers.

As a first step toward capitalizing on growing market opportunities, ABC exhibited at World Food Moscow in September 2002 using EMP funds. The show was highly successful, resulting in numerous quality contacts, including major confectionery, snack and ingredient buyers. Several trade leads have also been received as a direct result of participation. The research part has just begun.

According to Julie Adams, ABC's director of international programs, “EMP funds will give us the opportunity to explore how to enter this complex marketplace and maximize our marketing power.” The industry has great hopes for success in future years in Russia, all

through the springboard of EMP-funded activities. ABC estimates that the Russian almond market could be as large as 12–14 million pounds per year.

Section 108 Foreign Currency Program

In the past few years, the Section 108 Foreign Currency Program has provided cost-sharing assistance in foreign currencies for the development, maintenance and expansion of long-term export markets for U.S. agricultural products. Most Section 108 funding has been used for promotions that focused on generic U.S. commodities rather than individual brand-name products.

California Tree Fruit Agreement and Section 108 Are Successful Partners

CTFA (California Tree Fruit Agreement) promotes U.S. peaches, plums and nectarines in Latin America using Section 108 funds. According to David Miller, CTFA's international marketing director, Section 108 funds have mitigated a variety of constraints that had inhibited sales.

In Central America, CTFA aims to increase product awareness and improve handling techniques. In South America, where supermarket chains continue to expand and modernize, CTFA is helping to meet the growing need for information on handling and ripening techniques. In Mexico, CTFA continues to emphasize introduction of new products, such as California Summerwhite nectarines and peaches, and varieties of plums. ■

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Putting U.S. Horticultural Trade in the Big Picture

The U.S. horticultural industry is in general well positioned to benefit from an open global trading system. In fiscal 2002, U.S. horticultural exports slightly exceeded the prior year's sales, reaching a record \$11.1 billion. This is the third consecutive increase in horticultural exports, and the seventh rise in the last 10 years. In fiscal 2003, U.S. horticultural exports are forecast to set another sales record of \$11.3 billion.

U.S. imports of horticultural products have also been characterized by continued rapid expansion (with the strong dollar helping to fuel some of this growth). While a handful of key products and product categories, such as bananas and wine, account for a sizeable percentage of total U.S. horticultural imports, the fact is that access to the U.S. market is on the whole highly favorable to imports.

The impressive performance of the U.S. horticultural sector is due in part to more favorable market access opportunities acquired through the multilateral and bilateral trade agreements of the last decade. For example, U.S. horticultural shipments to Canada have risen steadily, largely due to the much more favorable tariff rates and access opportunities under NAFTA (the North American Free Trade Agreement).

U.S. exports to Mexico have also recorded strong growth under NAFTA—despite frequent currency devaluations and other economic disruptions in Mexico and a strong U.S. dollar for much of the period.



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The Uruguay Round of the General Agreement on Tariffs and Trade, the precursor of the WTO (World Trade Organization), has given U.S. citrus shippers more favorable access to the South Korean market. As a result, U.S. citrus exports to that country exploded to over \$65 million in 2002, compared with only \$26 million as recently as 1998.

These are just three examples of how successful trade agreements can translate into substantial additional business for U.S. horticultural producers, processors and shippers.

Yet despite these favorable outcomes, tariffs on U.S. horticultural products in many foreign markets remain high, if not prohibitive. For example, Egypt maintains tariffs of 40–60 percent on a wide variety of fresh fruits and tree nuts, while India maintains tariffs of over 120 percent on raisins.

The future of a healthy and vibrant U.S. horticultural sector depends on

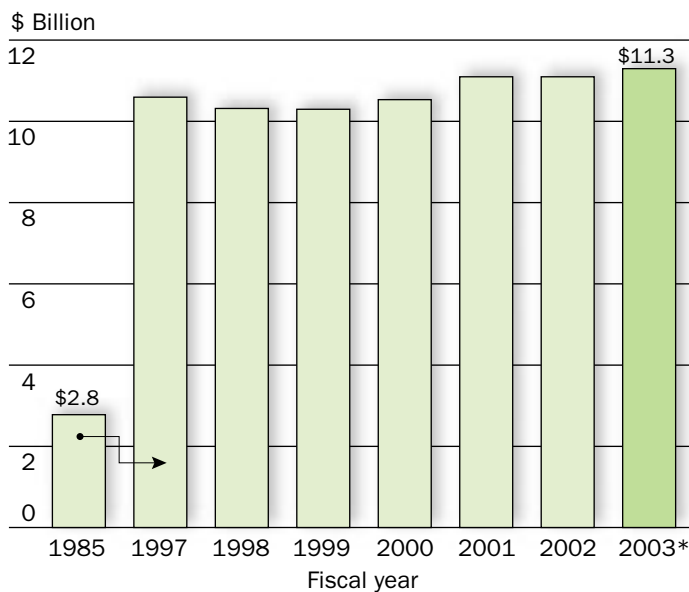
reducing, and eventually eliminating, onerous tariff and nontariff barriers in overseas markets—conditions that can only be achieved through ongoing bilateral and regional free trade negotiations and through the United States' aggressive proposal in the WTO.

Reducing tariffs in foreign markets will allow U.S. producers and exporters to compete on a more level playing field, and further expand their ability to sell to foreign customers. In addition, these trade agreements can reduce, if not eliminate, many technical barriers to trade, thereby increasing real market opportunities and enhancing the transparency and fairness of foreign inspection and regulatory regimes.

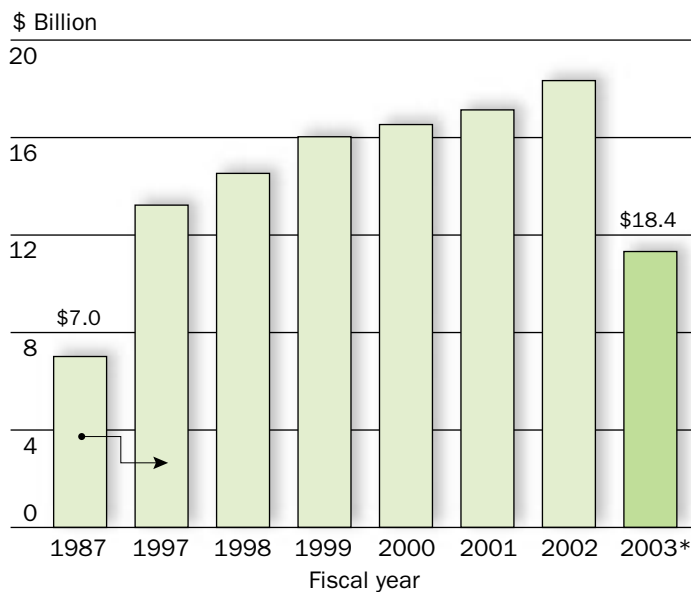
Improved market access conditions abroad resulting from new trade agreements could arguably benefit the U.S. horticultural industry's interests on two fronts. First, they would provide direct benefits in the form of new and/or improved access for U.S. horticultural commodities, both fresh and processed. Second, they could provide indirect benefits to the sector by taking some of the existing pressure off the U.S. market. Currently, many of the world's leading horticultural producing areas (e.g., Chile, Argentina, Central American countries, Mexico, Australia, New Zealand and South Africa) focus a great deal of their marketing efforts on the United States. This is understandable given that the United States has the world's most affluent consumer base, with 290 million consumers, combined with one of its most open markets.

However, as multilateral, regional and bilateral trade agreements open up new markets and opportunities, some competitors could shift marketing efforts away from the United States, taking some of the pressure off of the U.S. market. ■

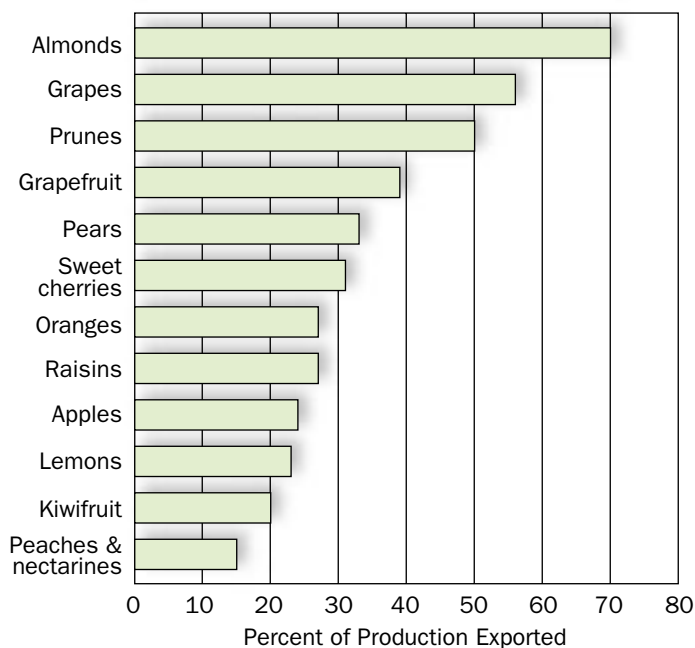
U.S. Horticultural Exports Up Slightly in Fiscal 2002, Forecast To Reach Another Record in 2003



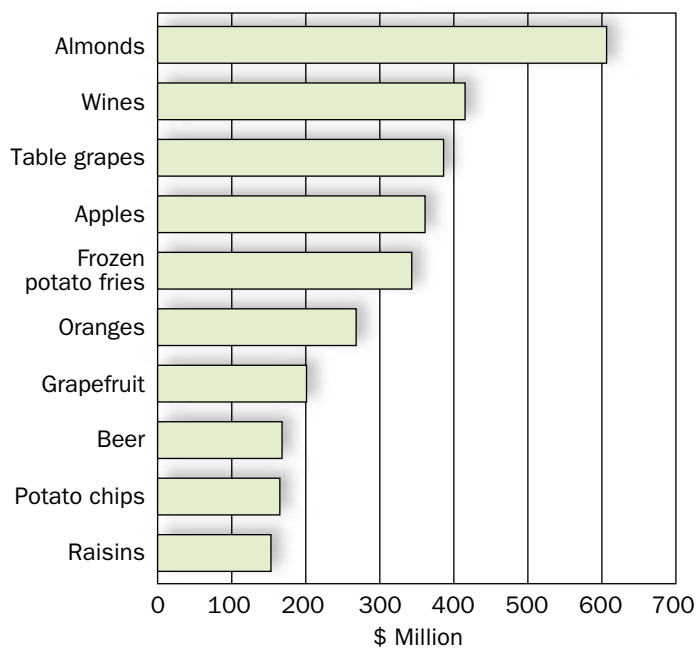
The United States Is Also a Good Market for Horticultural Imports



Export Reliance of Selected U.S. Horticultural Products

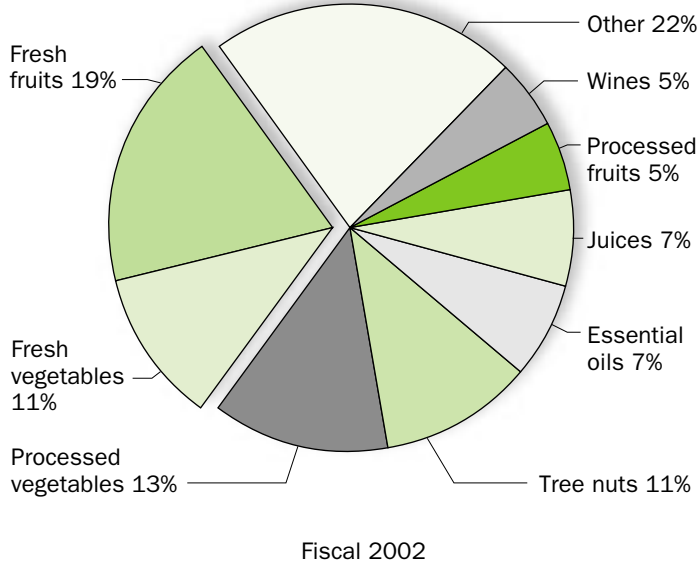


Top 10 U.S. Horticultural Exports, Fiscal 2002

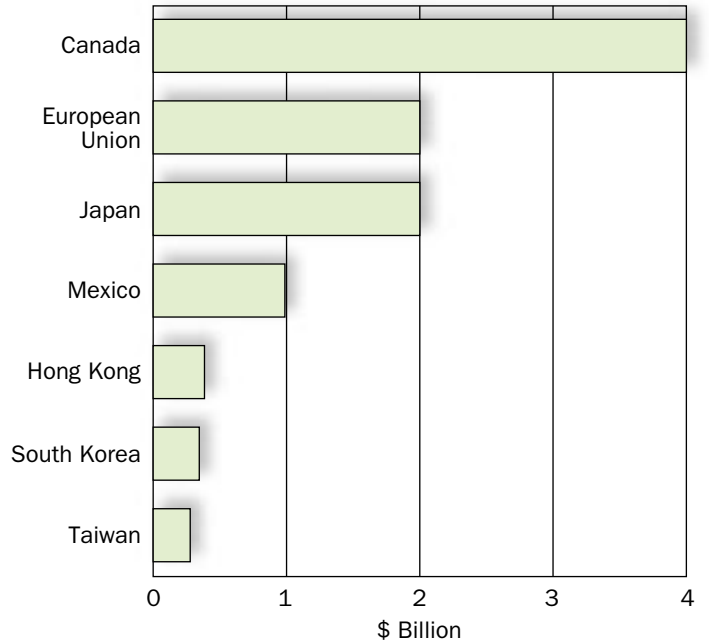


*Forecast. Source: U.S. Bureau of the Census.

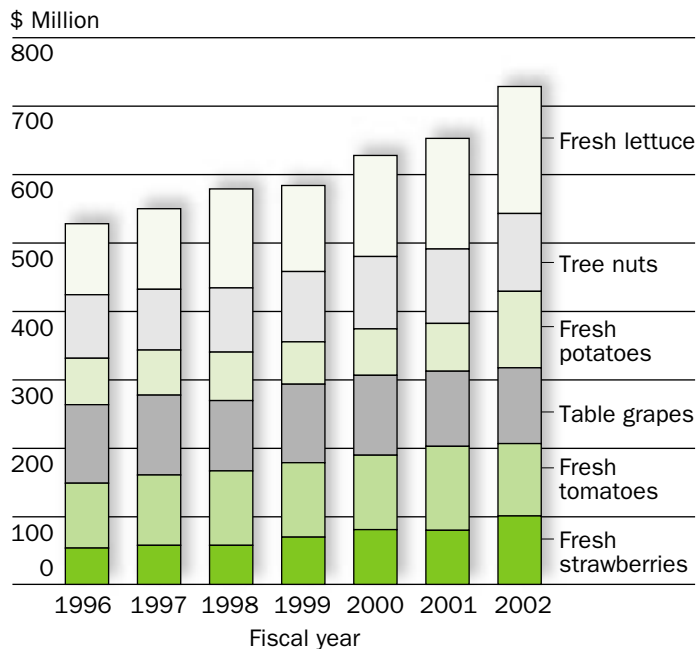
Fresh Fruits and Vegetables Account for Largest Share—Nearly One-Third—of U.S. Horticultural Exports



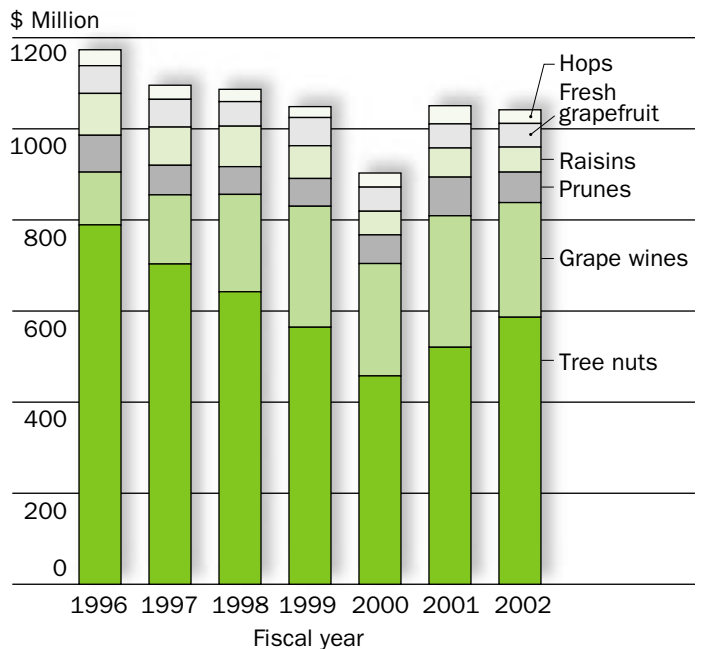
Top Customers for U.S. Horticultural Exports, Fiscal 2002



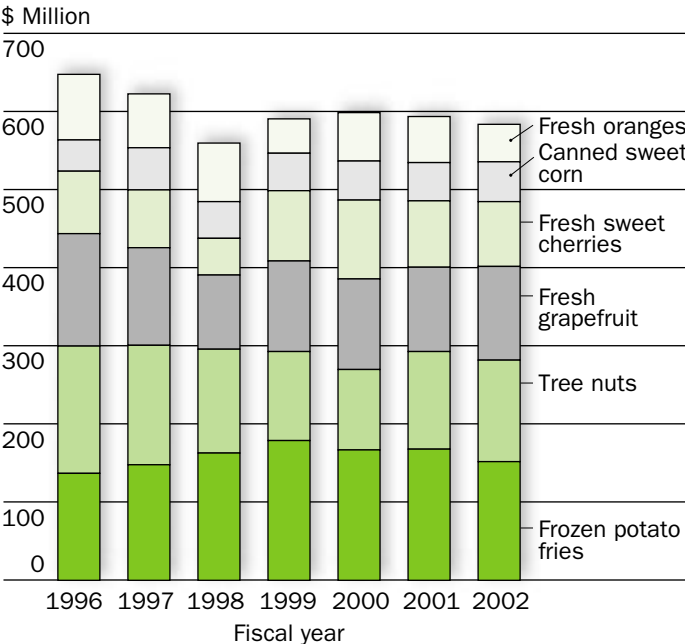
U.S. Best Sellers in Canada's Horticultural Market



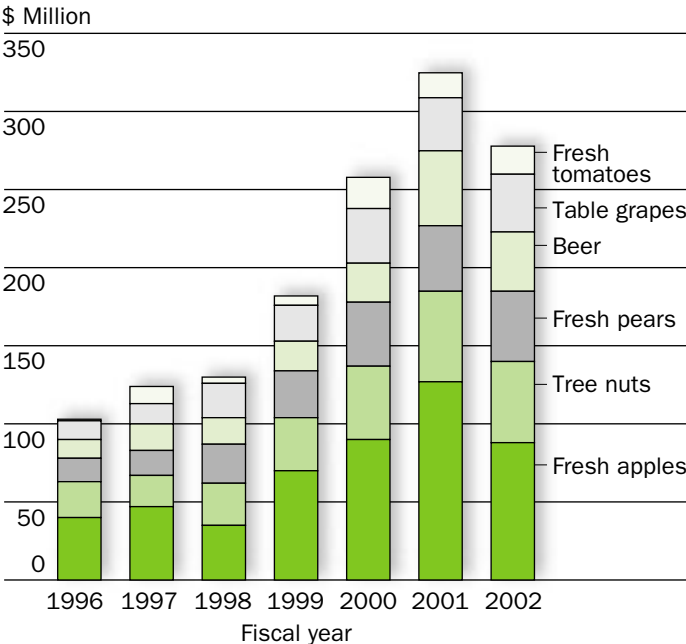
U.S. Best Sellers in the European Union



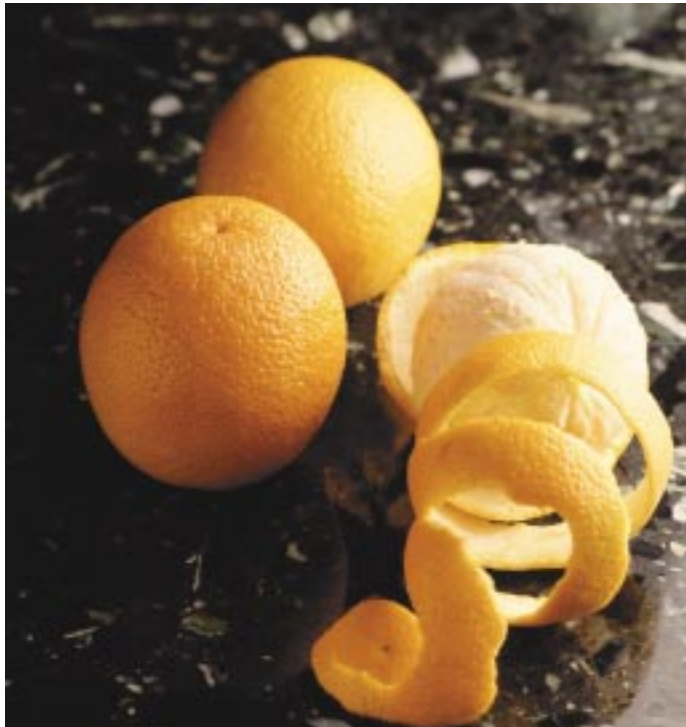
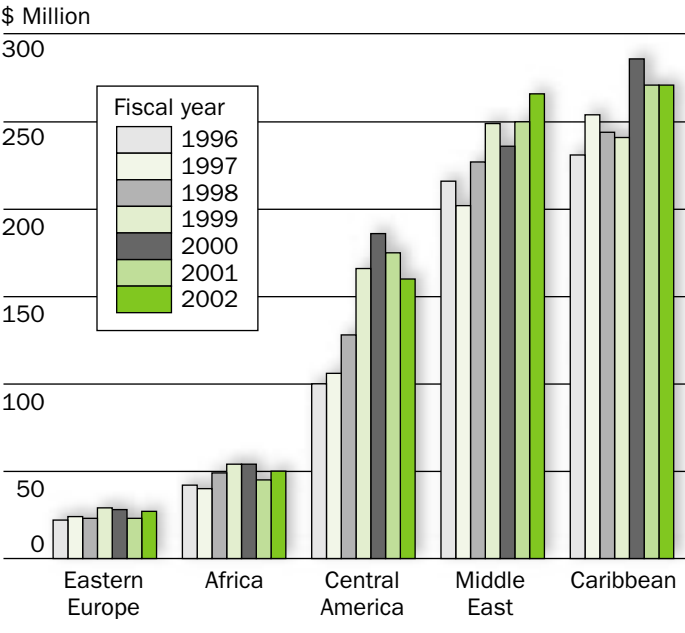
U.S. Best Sellers in Japan



U.S. Best Sellers in Mexico



U.S. Horticultural Exports Trending Upward Slowly in Non-Traditional Markets



U.S. Horticultural Trade With NAFTA Partners Continues To Expand

By Samuel Rosa

In 1989, the United States and Canada began eliminating import tariffs and other trade restrictions under the U.S.-Canada FTA (Free Trade Agreement). In 1994, with implementation of NAFTA (the North American Free Trade Agreement), the accord was expanded to include Mexico.

Since then, U.S. trade in horticultural products with Canada and Mexico has expanded significantly. North America's fruit and vegetable industries, as well as consumers, have benefited from new market opportunities opened up by lower tariffs, import license elimination, greater consumer choice and a more transparent business environment. Today Canada is the top export market for U.S. horticultural products, while Mexico ranks as the fourth largest. The United States has a positive horticultural trade balance with Canada, but an increasing trade deficit with Mexico.

In calendar 2001, U.S. horticultural exports to Canada reached a record \$3.3 billion, almost a third of the value of all U.S. horticultural exports. Fresh fruits, tree nuts and fresh vegetables comprised nearly half the value.

More than 50 percent of Canada's fresh fruit and nut imports and 80 percent of its fresh vegetable imports originate in the United States. Citrus, table grapes and strawberries are the leading fresh fruit imports, and shelled almonds, pecans and walnuts are the major tree nuts. Top U.S. sellers in the fresh vegetable category include lettuce, tomatoes and potatoes.

U.S. horticultural exports to Mexico topped \$1 billion for the first time in 2001. Fresh fruits and vegetables accounted for nearly one-third of that amount. Major U.S. fruit exports include table grapes, fresh apples and pears; fresh tomatoes and lettuce are the top vegetables.

Processed vegetables (canned, dried and frozen) turned in combined sales of \$300 million.

Mexico is the top market for U.S. exports of fresh deciduous fruit. Apples and pears are the top commodities in this category, accounting for 75 percent of U.S. fruit exports to Mexico in 2001. Nearly 5 percent of the U.S. apple crop (volume) was exported to Mexico that year, compared to 2 percent in 1999. Nearly half of all U.S. pear exports, 10 percent of total production, go to Mexico.

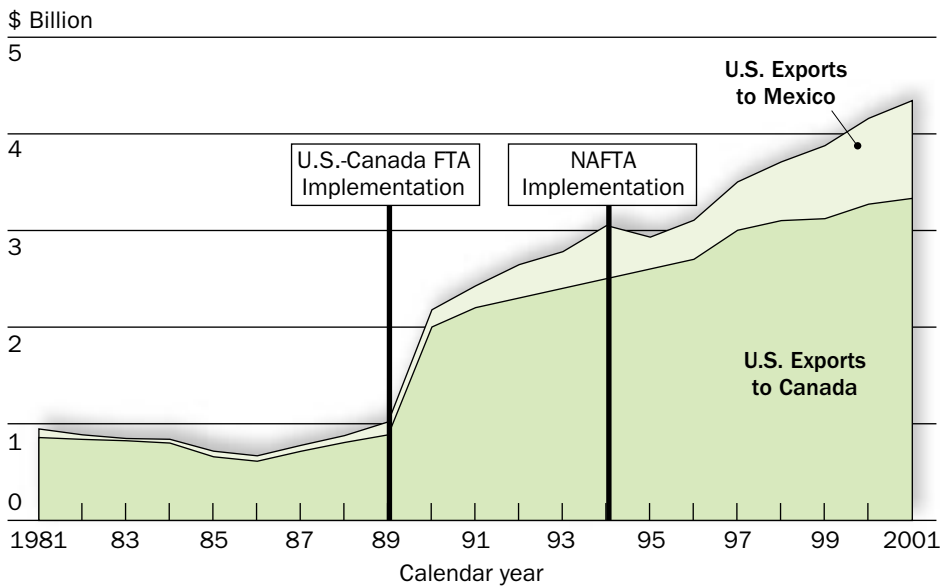
U.S. Imports Also on the Upswing

The United States is also a good customer for its NAFTA partners, typically



Trade Liberalization Has Enhanced Overall U.S. Horticultural Exports to Canada and Mexico

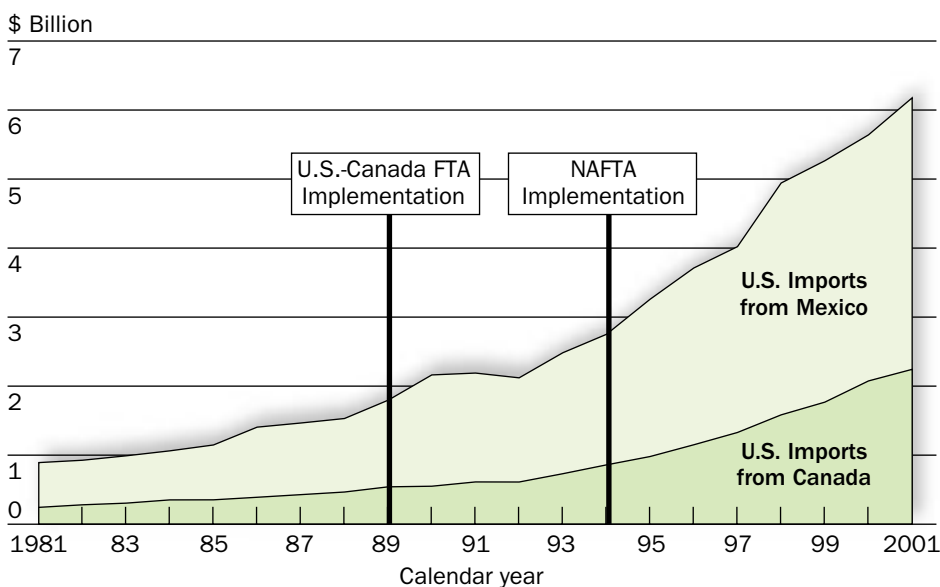
In 7th Year of NAFTA, Combined U.S. Horticultural Exports Set a Record \$4.3 Billion



Source: U.S. Bureau of the Census.

Overall U.S. Horticultural Imports from Canada and Mexico Are Expanding As Well

In 2001, Combined U.S. Horticultural Imports Reached a Record \$6.2 Billion



Source: U.S. Bureau of the Census.

buying more than 70 percent of Canada's horticultural exports. Processed fruits and vegetables are the main Canadian horticultural products shipped to the United States, accounting for about 30 percent of the value.

U.S. frozen vegetable imports from Canada have tripled since 1994, exceeding \$430 million in 2001. Frozen potato fries are the leading frozen vegetable item, increasing steadily since 1994 to reach a record \$382 million in 2001.

U.S. imports of Canadian canned vegetables were valued at nearly \$90 million in 2001, seven times the amount imported prior to 1994. After Canada, Mexico and Brazil supply most U.S. demand for imported processed fruits and vegetables.

Mexico is the United States' top export supplier of horticultural products and the leading foreign provider of fresh fruits and vegetables. According to U.S. Census Bureau data, from calendar years 1994 through 2001, U.S. imports of fresh fruits and vegetables from Mexico increased from \$1.2 to \$2.3 billion—nearly 100 percent.

While Mexico has had a trade surplus in fresh fruits and vegetables with the United States for many years, this surplus (or U.S. deficit) has expanded significantly in the past decade. Key U.S. fresh produce imports include tomatoes, peppers, squash, onions, cucumbers, mangos, melons and table grapes.

U.S. Trade Surplus with Canada Narrowing, Trade Deficit with Mexico Widening

U.S.-Canadian horticultural trade has increased substantially. Although the United States has maintained a surplus, it has dropped markedly in recent years, from \$1.7 billion in 1993 to \$1.1 billion

in 2001. A strong U.S. dollar accounts for part of the decrease.

Nevertheless, viewed in per capita terms, the United States maintains a very strong position in Canada. With a population of 32 million people and a current average per capita GDP (gross domestic product) of approximately \$28,000, Canada imported \$104.07 per capita of U.S. horticultural products in 2001, while the United States, with a population of about 280 million and a per capita GDP of over \$36,000, posted per capita horticultural imports from Canada of only \$7.99.

The same year, U.S. fresh fruit and vegetable sales to Mexico exceeded \$300 million, while U.S. imports of fresh horticultural products from Mexico reached \$2.3 billion. At nearly \$2 billion, the 2001 U.S. trade deficit in fresh horticultural products with Mexico was more than three times the shortfall registered 20 years ago.

In per capita terms, Mexico imported \$9.81 of U.S. horticultural products in 2001. This figure compared with \$13.99 in per capita horticultural imports from Mexico posted by U.S. consumers the same year. Key U.S. horticultural imports include tomatoes, peppers, squash, onions, cucumbers, mangos, melons and table grapes. A stronger U.S. dollar vis-à-vis the Mexican peso and increased U.S. fresh produce consumption have helped widen the deficit.

Bumps in the Road

A number of additional factors are also contributing to the growing trade imbalance, such as Mexico's phytosanitary policies, increased import documentation requirements and other nontariff barriers.

U.S. horticultural exports are also



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constrained by a Canadian regulation that prohibits bulk shipments of some foreign and domestic fresh fruits and vegetables under certain circumstances. Under the regulation, the Canadian Food Inspection Agency grants waivers (also known as "ministerial exemptions") for bulk imports when local supplies are insufficient to meet domestic fresh or processing demand.

Because Canada is an important market for U.S. fresh potatoes, it is not surprising that the U.S. potato industry has longstanding concerns about Canada's bulk limitations.

The U.S. apple industry has also expressed concern about the Canadian bulk restrictions. Over the years, apple growers from New York have had problems getting red varieties into Canada, primarily when domestic supplies are plentiful. More recently, New York growers have encountered similar problems shipping golden apple varieties. This is principally due to the fact that the Canadians are now growing more golden

varieties to fulfill demand in this market, which was developed by U.S. exporters.

Problems and disputes have also plagued apple trade between the United States and Mexico for many years (e.g., an onerous oversight inspection program and an antidumping case). In August 2002, Mexico's Secretariat of Economy cancelled the U.S.-Mexico apple dumping suspension agreement of 1998, thereby resuming the antidumping investigation begun in 1997 on imports of U.S. red and golden delicious apples and re-establishing a provisional 46.58-percent antidumping duty.

FAS trade analysts and U.S. trade negotiators are working vigilantly to monitor NAFTA and ensure that our partners live up to their obligations under the agreement. ■

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China Is Playing a Growing Role in Global Vegetable Trade

By Elizabeth Mello

With China's grain production no longer under heavy government protection, many Chinese farmers are switching to production of more profitable high-value commodities, such as vegetables.

Through foreign direct investment flowing into the agricultural sector, China is developing production agriculture for vegetables. High-quality seed imports, improving domestic seed production and availability of better agricultural chemicals and equipment, as well as advances in greenhouse technology, are moving China along the road to becoming a major producer of export-quality vegetables.

China as a Competitor

For the U.S. vegetable industry, China's emergence as a commercial vegetable producer will likely intensify competition for third-country markets, in particular Japan, historically a major market for U.S. vegetables.

China has now claimed the position of No. 1 supplier of fresh vegetables to Japan, reaching the port of Kobe in less than 16 hours. Meanwhile, Japan's economic difficulties have also created opportunities for Chinese suppliers of inexpensive vegetables.

On the other hand, several factors are restricting China's competitive threat. Although China is making progress in production capacity, its domestic demand could possibly absorb most of it. Chinese agriculture is still evolving from a com-



munal system. Small plots of land are prevalent, Western-style cooperatives are still illegal and a socialist mindset continues to affect efficiency.

Phytosanitary techniques and infrastructure limitations also pose challenges to Chinese vegetable production. China's soil is significantly depleted due to little crop rotation and heavy use of agricultural chemicals, which could raise further phytosanitary or chemical use concerns among importers.

Infrastructure is still greatly lacking. Controlled-atmosphere technology,

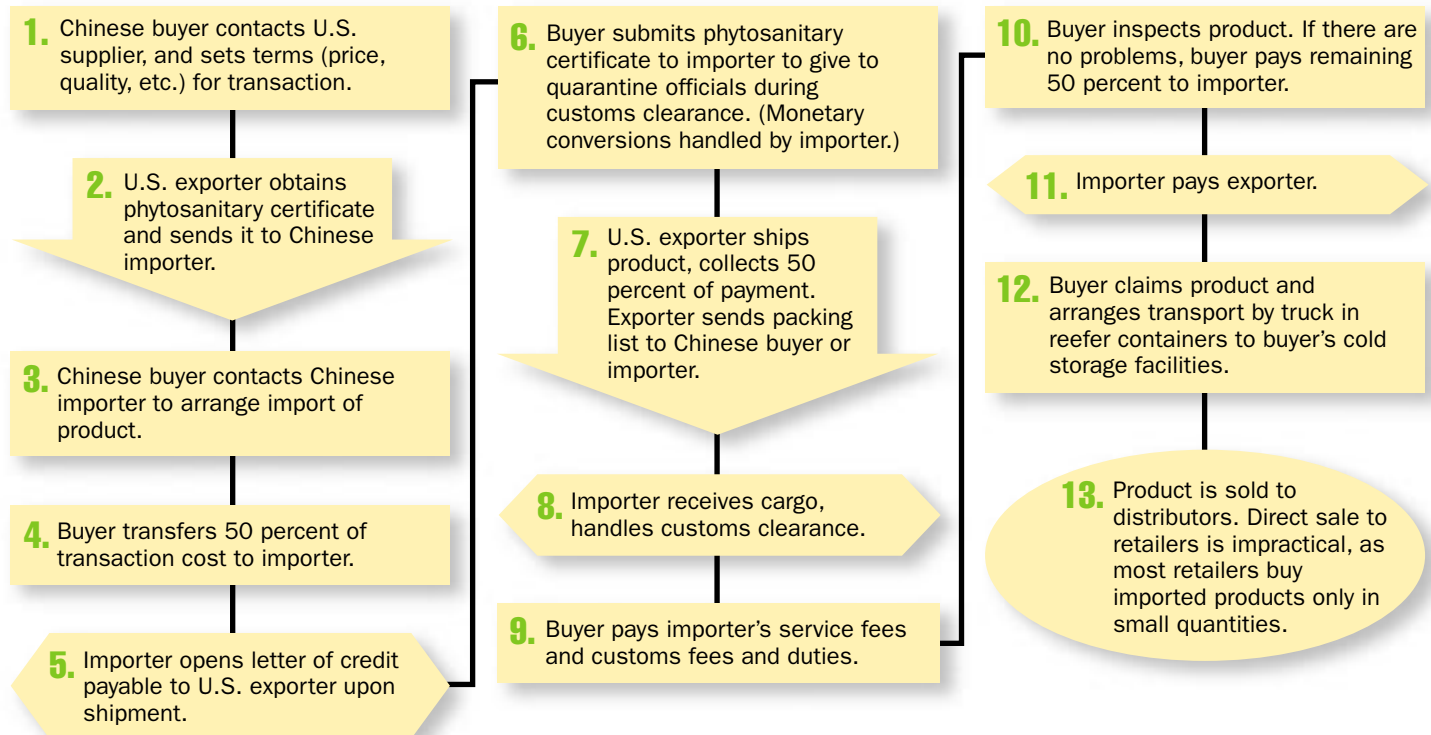
hydrocoolers and refrigerated transport, key links in the handling chain, are uncommon. As a result, the shelf life of Chinese produce can be quite limited.

Recent trade disputes involving vegetables have left tensions between China and Japan. In one case, Japan placed quotas on Chinese string onions and shiitake mushrooms, to which China responded with retaliatory tariffs on Japanese automobiles.

Prospects for U.S. Vegetables

Meanwhile, China's own market for

Follow That Vegetable! Tracing U.S. Celery Along the Import Path



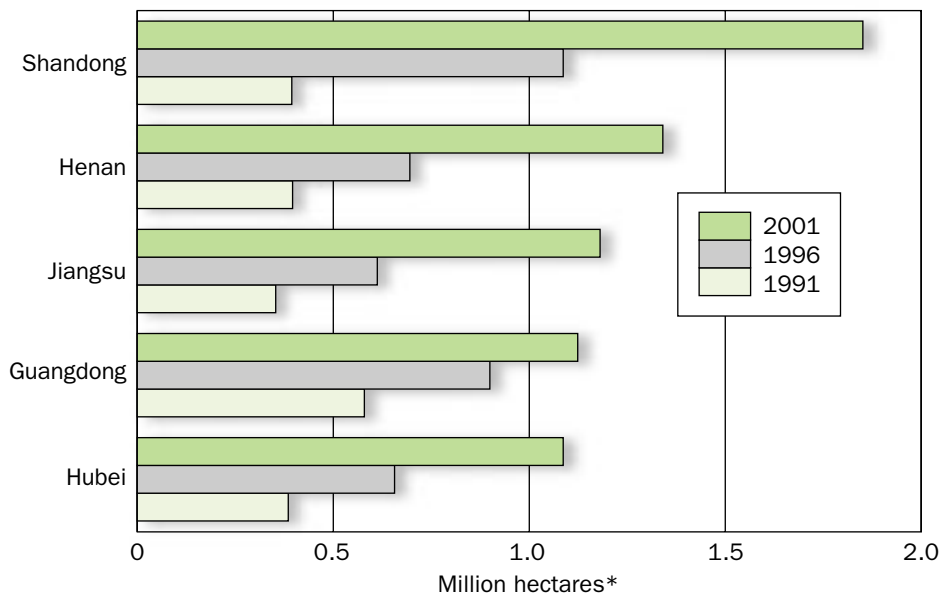
vegetable imports is growing. Economic reform and market liberalization, removal of price controls and foreign exchange controls and movement toward removal of import licensing have enhanced the possibilities for exports to China.

The rapid influx of the population to urban areas, in tandem with strong income growth, is causing diversification in the Chinese diet and creating demands for high-value and specialty food products.

Demand for high-quality foods has increased dramatically. Consumers are more concerned with food safety and quality. China's longstanding one-child policy prompts parents to give their children the best diet within their means. Organic or "green" produce is gaining in



Planted Acreage Growing by Leaps and Bounds in China's Major Vegetable-Producing Provinces



USDA/FAS

acclimated to Western-style foods.

- International tourism in China is expanding, so hotels are looking for reliable suppliers of quality Western vegetables, often including high-value, fresh cut produce.
- Home meal replacement, already growing in popularity in China, also creates opportunities for U.S. cut fresh vegetables and those sold in bulk.
- While overall U.S. vegetable exports to China are currently declining, U.S. products are still finding niche markets in more cosmopolitan urban areas, where demand for higher quality foods is bigger than ever. ■

popularity, as are Western foods, spurring demand for Western vegetables.

China's ongoing retail revolution means that U.S. vegetables can be carried at and sourced from large chains such as Wal-Mart, Carrefour and Metro. Government tax policies have created difficulties for wet markets, and their presence is decreasing.

Several factors limit U.S. vegetable exports to China in the near term:

- U.S. vegetables are rarely price competitive with domestic products. U.S. vegetable suppliers and exporters have to rely on the uniqueness and quality of their products to set them apart from the crowd.
- The import path for vegetables in China is still complicated and rigid. Exporters are permitted to deal only with import license holders at the present time.

- Receiving payment may be an issue. Vegetable exporters usually request 50 percent of the payment upon shipment, and the remainder when the product is received, provided it meets the buyer's standards.

But the following factors could support growth in U.S. vegetable sales:

- High-end supermarkets—including Yao Han and Oliver's, catering to expatriates and higher income Chinese—offer good niche-market opportunities. Fresh cut and specialty vegetables are selling well at this level.
- The growth of hotel, restaurant and institutional opportunities in China is phenomenal, with national figures showing the sector doubling between 1998 and 2002, with annual growth averaging 15 percent for the period. More Western foods are being eaten out, and the younger generation is

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For details, see FAS Report "China's Growing Role in Agricultural Trade." To find it on the Web, start at www.fas.usda.gov/http/circlst.html and scroll down to International Trade Reports.



Taiwan's Taste for U.S. Fruits

By Sonia Jimenez and Stan Cohen

Taiwan has been one of the largest markets for U.S. agricultural products since the 1970s. The United States is Taiwan's main supplier of agricultural products, with sales reaching \$1.9 billion in fiscal 2002.

Taiwan has a dynamic, capitalist economy, with gradually decreasing government guidance in investment and trade. For example, some large government-owned banks and industrial firms are being privatized.

Real growth in gross domestic product has averaged 8 percent for the past three decades. Exports have grown even faster and provided the primary impetus for industrialization. Inflation is

low, the trade surplus is substantial and foreign reserves are the world's fourth largest.

Assessing the Competition . . .

In general, the Asian diet traditionally has been high in fruits and vegetables, and Taiwan is no exception. Moreover, the United States is by far Taiwan's largest fresh fruit supplier. Given its economic strength and reliability as a produce market on the one hand, and its WTO (World Trade Organization) accession and geographic and cultural ties to China on the other, Taiwan is worth examining as a current and future market for U.S. produce.

Before Taiwan's accession, the United States enjoyed a favorable position in most key fruit segments because U.S. exports (unlike those of most other countries) were not limited by quotas, and U.S. products obtained phytosanitary clearance with little difficulty.

U.S. fruit exports now face new challenges from South Korea and Japan, both of which successfully exported to Taiwan in the past.

. . . And Gauging the China Challenge

Of course, the principal threat over the longer term is China, whose proximity and significantly lower prices are expected to be the real challenge for U.S. fruit exporters in the years ahead.

Taiwan has not yet granted phytosanitary clearance for any fresh fruits from China, although some dried products have been approved. Phytosanitary clearance is seen as at least two years down the road. But it could take much longer, because Taiwan and Chinese officials have yet to begin even preliminary discussions.

In the interim, the United States is well positioned to gain market share because of its established trade ties with Taiwan and competitors' need to meet various phytosanitary requirements.

In addition, as other Asian countries regain financial stability and resume economic growth, their demand for higher quality produce is expected to increase. Taiwan could become a trading hub, providing U.S. exporters with a gateway for extending trade to other parts of Asia.

Taiwan's Fruit Favorites and Taste Trends

The United States' top fruit exports to Taiwan are apples, peaches, table grapes, cherries, plums and oranges. The United States currently has over 90 percent of Taiwan's stone fruit market. U.S. peach exports to Taiwan reached \$14.6 million in 2001, double the value of six years before.

Nevertheless, U.S. apples face a particularly strong challenge here. Both South Korea and Japan are offering stiff competition: imports are no longer restricted by a ban (in the case of South Korea) or small quota volumes (Japan). Japanese apples are higher in price and lower in quality than U.S. apples. Also, apples from Southern Hemisphere producers Australia, New Zealand and Chile may challenge U.S. market dominance in the off-season, when U.S. apples from controlled-atmosphere storage come onto the market.

But Taiwan's consumers tend to be picky about fruit quality, so chances are good that after experimenting with other suppliers, many importers will return to the United States for most supplies.

In 2001, the U.S. market share of Taiwan's table grape imports was 97 percent. The remaining 3 percent was supplied by Chile in the U.S. off-season.



Under current quarantine regulations, only the United States, Japan and Australia (specifically, Tasmania) are approved to export to Taiwan. U.S. grapes compete mostly with domestic production.

Taiwan's consumers are becoming more sophisticated. Quality appears to be more important than price. Even when faced with financial difficulties, the average consumer will choose a diet that includes abundant fresh fruits and vegetables. Fruit color, size and appearance are of primary consideration and greatly influence prices products can command.

The term "organic" is used liberally, but it typically means the product is locally grown and uncertified, since there is no certification program on Taiwan. Because the term is overused and not clearly defined, the average consumer remains skeptical of it.

Generally, new products are launched in Taipei (in northern Taiwan), and then are picked up in Kaohsiung (southern Taiwan), and then move to Taichung (central Taiwan). U.S. suppliers should provide products that suit the local taste and can be incorporated into local dishes. U.S. products are popular and well regarded in Taiwan. To capitalize on that and counter increasing competition, U.S. suppliers should build up a strong U.S. brand image.

Although trade liberalization will increase competition for U.S. products, tariff reductions are likely to lower import costs, savings that can be passed on to the consumer.

What Retailers Want

Food retailing in Taiwan has entered an era of tough competition, mergers and greater concentration. Fifty-five percent of fruit products are still sold in wet mar-



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kets, but that could change along with overall market shifts and development.

Taiwan's retail, food service and food processing sectors are consolidating and modernizing. All three sectors are looking for new products to get an edge on their competitors. Major export opportunities exist for fresh fruits and vegetables, wines, fruit juices, health foods, ingredients, frozen products and a wide variety of specialty items.

The retail sector is always receptive to new and innovative food products. Because gift giving is a big tradition on Taiwan, fruit packaged as gifts could offer strong growth potential. In addition, lunch boxes are gaining acceptance and are viewed as a good way to introduce consumers to U.S. fresh fruits. The market for packaged vegetables and ready-to-eat foods is also expanding.

Four Paths to Market Entry

Although the distribution system has improved, handling and merchandising are still complicated. Many produce importers on Taiwan also act as their own distributors and wholesalers because they are required to make deliveries to individual stores. Here are four ways to penetrate the market:

Direct: The best method to reach Taiwan's retail buyer is initially to contact them directly via e-mail or fax. Product catalogs and price lists are essential in this approach. Sample products are also helpful.

Indirect: U.S. companies may wish to concentrate on establishing their business relationships with reliable, efficient importers and distributors that in turn will sell products to retail stores.

Person-to-Person: A visit to Taiwan is an excellent way to start a meaningful relationship with a potential buyer. U.S. suppliers are encouraged to bring product samples for potential buyers, because many importers and retailers rely heavily upon their direct experience and personal opinions when deciding on new products to represent.

Online Purchasing: Some retail chains, especially those with foreign joint venture partners, purchase a limited group of product items online. ■

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California Asparagus and Strawberries Make Gains on Taiwan and in Japan

By Elizabeth Mello

Taiwan and Japan offer good opportunities for many U.S. horticultural products. This article examines market constraints and describes the flourishing efforts underway to capitalize on opportunities for asparagus and strawberries in Japan, and for asparagus on Taiwan.

Familiarity Breeds Content

The California asparagus industry faced a challenge. Although Japan and Taiwan are major Asian markets for California asparagus, a fundamental difficulty confronting the product is one of limited recognition.

Japanese retailers are reluctant to advertise and promote California asparagus, so consumers do not differentiate this product from that of other countries and may be unfamiliar with its many uses, quality and wholesomeness.

Like their Japanese counterparts, consumers on Taiwan lack awareness of the origin, attributes and uses of California asparagus. In addition, Taiwan's traders need more familiarity with handling and storage (especially at the retail level), as well as such attributes as grade and size.

On the strawberry front, Japanese consumers lack awareness of the origin, wholesomeness, characteristics, use and availability of California berries, while Japan's food trade lacks knowledge of their firmness and size, promotion ideas and handling. The trade is also resistant to off-season promotions.

The California Asparagus Commis-

sion, the California Strawberry Commission and FAS staff in Washington, DC, in Japan and on Taiwan have set out to improve the market positions of asparagus and strawberries in Japan and asparagus on Taiwan through a number of objectives:

- learning marketing methods and consumer preferences for the products
- visiting food retailers, hotels and restaurants conducting product promotions
- determining the competitive challenge of domestic and foreign products
- helping U.S. exporters generate direct trade contacts with importers and retailers, strengthen sales and distribution networks and establish long-term partnerships with leading importers in Taipei and Tokyo

Taiwan Making a Meal of Asparagus

Vigorous and imaginative efforts are underway to promote California aspara-



gus. On Taiwan, the vegetable has caught the attention of both the food service and retail sectors. At the Intercontinental Hotel in Taipei last March, an eight-course luncheon showcasing California asparagus was well attended by local media and so well received that it was extended for two weeks. The Hilton held a month-long menu promotion of California asparagus, with a fixed-price lunch featuring everything from shrimp meat-wrapped asparagus to—you guessed it—ice cream. Media coverage was extensive, with 56 articles reaching a readership of 13.1 million and seven TV and radio spots.

Although the supermarket is relatively new to Taiwan, upscale retailers display asparagus in attractive ways, such as in water or wrapped in cellophane. Sampling promotions in 15 hypermarkets increased sales by an estimated 365 percent. Recipe

leaflets and attractive packaging (five spears in a narrow plastic bag) also prompted consumer purchases. Between 2001 and 2002, consumer awareness of California asparagus jumped from 22.5 to 48 percent, and knowledge of preparation methods rose from 33.8 to 43.6 percent.

But Taiwan's asparagus market presents challenges as well. Its import scene has changed a lot: while a few importers controlled vegetable imports in the past, many new importers have emerged since the liberalization of Taiwan's market. Moreover, Thai asparagus, which tends to be extremely uniform and attractively packaged, and is declining in price, is offering stiff competition to California asparagus. Price figures significantly in the buying decisions of Taiwan's importers.

In Japan's asparagus market, U.S. product competes primarily with imports from Mexico and the Philippines and

with domestic product. Although U.S. exporters have expressed concerns about Chinese asparagus penetrating the Japanese market, knowledgeable market observers do not see China as an immediate competitor, due to infrastructural and chemical residue issues. Meanwhile, importers note that California asparagus will continue to have a place in Japan, although the country's ongoing economic downturn combined with a strong U.S. dollar constrained 2002 sales.

The standout activity for California asparagus in Japan so far has been a contest consisting of an asparagus quiz. The response was overwhelming: contest promoters expected a maximum of 5,000 entries—and received over 30,000. The contest was supported by media initiatives, including one-page, full-color articles in publications with a circulation of 6.5 million, and TV features reaching



525,000 households. A consumer survey one month after the contest showed a 31-percent increase in consumer awareness of California asparagus over the prior year.

Japanese Relish Strawberries

The Japanese have a theory about strawberries and the economy: when the country is in the financial doldrums, consumers turn to well-known fruits such as strawberries because these foods help them feel more secure.

This seems to be true in the capital at least, since strawberry products are everywhere. In Tokyo, promotions for California strawberries have garnered considerable success, especially in the bakery sector and in several restaurant chains. Strawberries are used in a plethora of products, including ice cream, cookies, candy, sandwiches, crepes and beverages. Strawberry milks are extremely popular in the beverage category,

and the Japanese chain Pronto has done an especially good job at marketing this product with U.S. IQF (individually quick frozen) strawberries.

Since the California industry sells both fresh and frozen strawberries in Japan, the country's food service industry primarily relies on frozen product with limited use of fresh. U.S. berries are generally considered to be not quite sweet enough for the average Japanese consumer's palate. But the industry's success with frozen product is leading Japan's retail trade to promote and sell fresh berries, and its food service sector to consider using fresh product as well.

The California strawberry industry is developing innovative ways to encourage use of fresh berries, such as in salads and pasta dishes. In Japan, fresh strawberries are mainly consumed in winter and early spring, having been produced in hothous-

es. To encourage consumption of California strawberries in the "off-season" (May-July), the industry targeted a summer strawberry breakfast campaign to the retail and food service sectors. In the food service area, menu promotions were held with several leading hotels and two major restaurants.

On the retail side, the industry partnered with 14 leading retail chains with in-store sampling and demonstrations in 122 outlets. The health benefits of California strawberries were showcased on a television program in the Osaka area, reaching over 10.9 million consumers. ■

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New Image for U.S. Potatoes in Japan Means New Growth Opportunities

By John Toaspern

It sounds like every marketer's dream—to be the standard of success with your product. The down side, of course, is what to do when the market becomes saturated and it seems there is no further room for growth.

In Japan, the United States Potato Board faced this question, but with a twist. After more than 25 years of working in the market, U.S. frozen potato exports achieved a record volume of 253,365 metric tons in the 1999 (July-June) marketing year. Consumption of frozen fried potatoes had reached a saturation point with the primary distribution channel of quick-serve and family dining restaurants, a market sector whose growth was flattening out.

Yet, ironically enough, instead of being able to rest on its laurels, the position of the U.S. potato industry was being increasingly challenged by competitors Canada and New Zealand, and by the expansion of potato processing throughout the world, which offered Japanese restaurateurs more—and sometimes

cheaper—supply options.

This expansion coincided with an HRI sector (hotels, restaurants and institutions) increasingly preoccupied with price as Japan's drawn-out economic troubles continued to take their toll. As a result, U.S. exports headed downward, and U.S. market share dropped from 91 percent in marketing year 1999 to 85 percent in 2002.

To revitalize U.S. exports to Japan, the Potato Board began pursuing a new strat-



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egy in November 2000. The goal was to transform the market's perception of the U.S. potato as strictly a snack or lunch item consumed by young people at fast-food restaurants to a healthy food and cooking ingredient consumed by all ages at all meals. This required a major change in perceptions among the trade and consumers alike.

To do this, the Potato Board began by focusing on U.S. frozen potato items not used in the Japanese market. It selected IQF shreds (individually quick frozen shredded potatoes, or hash browns), a non-fried product that has a huge range of applications from a stand-alone dish to an ingredient in soups, salads and other types of dishes.

The Potato Board developed a repertoire of Western and Oriental recipes for IQF shreds. It built awareness of the product and its applications via recipe distribution, one-on-one merchandising and aggressive trade communications through direct mail, advertising and similar activities.

The Potato Board's efforts were crowned with success. As of September 2002, a total of 12 HRI entities, several of

them huge chains with the potential to impact the market, had adopted IQF shreds. This group included:

- four frozen food manufacturers, one of which carried out a kick-off promotion at 2,000 retail outlets
- two major family dining restaurants, one of which is now carrying it as a "signature" item and the other an Oriental chain, providing a good demonstration of the U.S. potato's ability to cross over to Asian cuisine
- six major hotels

The Potato Board also convinced major wholesalers throughout Japan to begin carrying IQF shreds, thus ensuring adequate supplies for the 12 HRI customers and for food manufacturers. The product has gotten a positive reception from consumers, with the HRI and manufacturing sector reporting good sales.

Results so far show that both the trade and consumers accept the idea that U.S. frozen potato products have broad applications in the Japanese lifestyle. Prior to this campaign, the United States had sold no IQF shreds in the market. Today, U.S. processors report that they ship an average of 350 tons a month of IQF shreds.

IQF sales are not yet large enough to replace frozen fry sales lost to Japan's economic troubles and foreign competition. However, without this new product, U.S. potato sales to Japan would have fallen off even more. As IQF shreds gain market momentum, and the Potato Board promotes other new products, total U.S. exports are expected to increase. ■

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U.S. Horticultural Product Trade Expands to Countries of Proposed FTAA

U.S. exports of horticultural products to countries in the Western Hemisphere reached a record \$5.1 billion in calendar year 2001, up 4 percent from shipments in 2000 and over 40 percent above the value exported seven years ago. U.S. horticultural exports in the miscellaneous category, valued at nearly \$1 billion, accounted for about 20 percent of the total U.S. horticultural sales in 2001. The top products in this category were beer and potato chips. Aside from Canada and Mexico, key U.S. export markets in the region were Venezuela, \$69 million; Brazil, \$65 million; the Bahamas, \$54 million; and the Dominican Republic, \$50 million. Trade ministers for the 34 democracies in the Western Hemisphere met in Quito, Ecuador, to continue negotiations seeking to complete the FTAA (Free Trade Area of the Americas) by Jan. 1, 2005.

New Sales Result from Central American Trade Mission

A trade mission last February to Central America has resulted in estimated sales of \$970,000 in Guatemala and \$490,000 in Costa Rica in the past year. The mission, jointly organized by FAS, the Western United States Agricultural Trade Association and the state of Idaho, attracted 14 participants representing 17 U.S. companies who met with 46 companies in Guatemala and 35 in Costa Rica. Products included: mini pizzas, bagels, meat and poultry, produce, frozen potato fries, potato flakes, snack foods, wines, jams, jellies, syrups, cake mixes, raw peanuts, sauces and other condiments.

Reverse Trade Missions Generate \$3.8 Million in U.S. Wool Sales

The American Sheep Industry Association is using FMD (Foreign Market Development) Program and MAP (Market Access Program) funds to develop a new sales base for U.S. wool overseas. The association's strategy is finding buyers whose needs match U.S. wool production levels and types. Tactics include targeting markets to inform buyers of U.S. wool's availability and quality improvements, coupled with product sampling and processing trials to demonstrate U.S. wool's attributes. This strategy has been highly successful, with the most recent round of reverse trade missions bringing outstanding results. During the May-June 2002 wool season, the association undertook trade missions that brought 18 international buyers to the United States and yielded purchases of 2.9 million pounds of greasy and scoured wool, valued at about \$2.6 million. In the following three months, the same participants bought an additional 1.3 million pounds, valued at \$1.15 million. In total, the trade missions resulted in direct sales of about 4.2 million pounds, valued at nearly \$3.8 million. Almost all product went to new buyers, a significant expansion of the international sales base.

U.S. Rice Exports Projected To Reach Record

Bolstered by strong demand and competitive prices, U.S. rice exports for 2002/03 are forecast at a record level of 3.6 million tons. Paddy rice exports, in particular, are being boosted by greater Western Hemisphere demand, most notably in Brazil where projected annual imports were expected to increase by 150,000 tons. Lower availability of Argentinean and domestic supplies is forcing Brazil to look to other sources. The resolution of the newly-imposed pest risk analysis requirement should clear the way for U.S. exports to Brazil. Strong export demand, combined with tightened milling capacity, boosted export price quotes for U.S. long-grain rice.



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